

UTAH Renewable Portfolio Standard-STRAWMAN
By Utah Division of Air Quality Staff
August 29, 2007

Note: This Strawman is not a recommendation but meant to direct the conversation. The strawman is intended to be changed by the group.

a) Target:

Investor Owned Utility (IOUs):	20% by 2020
Municipalities:	5-10% by 2020
Rural Electric Co-ops:	5-10% by 2020

Targets for Municipalities and Co-ops that currently have a surplus in energy will not be applicable unless new resources are acquired.

Annexing of IOU service territory by Municipalities or Co-ops without consent, will trigger full (IOU) RPS targets.

b) Definitions of Renewable

biomass energy;
hydroelectric energy.
geothermal energy;
solar energy;
wind energy.

needs to be qualified

biomass energy" means any of the following that is used as the primary source of energy to produce fuel or electricity:

- (i) material from a plant or tree; or
- (ii) other organic matter that is available on a renewable basis, including:
 - (A) slash and brush from forests and woodlands;
 - (B) animal waste;
 - (C) methane produced:
 - (I) at landfills; or
 - (II) as a byproduct of the treatment of wastewater residuals;
 - (D) aquatic plants; and
 - (E) agricultural products.
- (b) "Biomass energy" does not include:
 - (i) black liquor;
 - (ii) treated woods; or
 - (iii) biomass from municipal solid waste other than methane produced:
 - (A) at landfills; or
 - (B) as a byproduct of the treatment of wastewater residuals.

Other resources as determined by the state wide governing body (PSC, DEQ?).

| [Comments:](#)

Need to look at Utah-specific situation on a utility-by-utility basis

Need to look at possibly expanding the list to include other low-carbon, clean resources (may include DSM, plant efficiency, etc.)

- Some states have addressed this through a percentage target for energy efficiency or other measures

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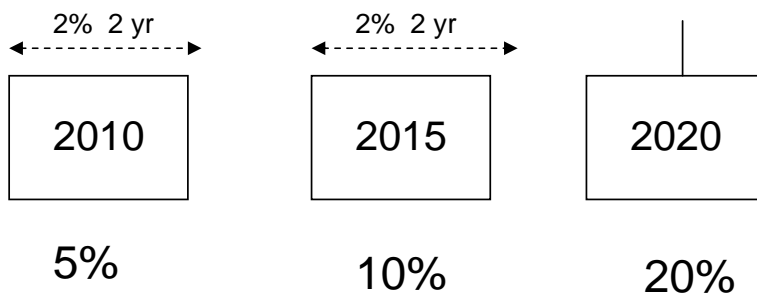
May need to ultimately tie-in to WCI goal(s)

Need to build in flexibility

“In addition to REs, we recognize that other resources can help lead to a CO2 reduction goal”

c) Compliance

Beginning in calendar year 2010 IOU's have the following milestones:



There would be a 2% 2 yr window for 2010 and 2015 milestones to prevent artificial markets; however 2020 is a hard deadline.

Municipalities and Co-ops do not have intermediate milestones.

Compliance will be met through the use of Renewable Energy Certificates.

Comments:

Important to have flexibility with compliance targets (?)

d) Renewable Energy Certificates

Compliance of the RPS requires proof of the qualifying electricity. This proof is in the form of a Renewable Energy Certificate (REC). Electric utilities can use both bundled and unbundled RECs within the Western Electricity Coordinating Council (WECC).

The Electricity associated with a bundled REC must also be delivered to the utility. However, the associated renewable electricity can be “swapped out” for non-qualifying electricity (e.g., from natural gas or coal) as it makes its way to the final destination. This allowed for non-qualifying electricity to “shape” or “firm” wind power and other intermittent power resources.

For IOU’s, no more than 20 percent of their compliance in a given year may be met through the use of unbundled RECs. For the Municipalities and Co-ops, no more than 50 percent of their compliance in a given year may be met through the use of unbundled RECs.

Comments:

The way in which RECs are bought/sold matters

RE purchased for RPS requirements can’t be double-counted for other states’ RPS or for green power purchasing programs

Needs to be carefully designed for integrity and to establish an efficient marketplace

Encouraging Utah-based resources might be better handled through incentives

e) Issuance of Certificates

A statewide governing body will issue RECs and the tracking will be done by WREGIS.

A statewide governing body will oversee certification of RECs using standards and tracking provided by WREGIS.*

*Need to discuss with Andrea (WREGIS).

f) Existing Facilities

An existing facility is defined as those that became operational before January 1, 1995.

Need to address this issue as we develop targets.

g) Renewable Energy Certificate Trading

Electric utilities can use both bundled and unbundled RECs within the Western Electricity Coordinating Council (WECC). RECs may only be used once and only by the owner of the REC.

Comments:

- Important to ensure against double-counting
- Depending on the nature and timing of targets, there may be opportunities to sell RECs to help provide cost effective development of RE resources
- Can create incentives for in-state RE development by having unlimited unbundled RECs for in-state projects
- The narrower the geographic restrictions, the more expensive projects tend to be
- Targets would only apply to those kWhs sold in-state

h) Recovery of Costs

All prudently incurred costs associated with complying with the RPS are recoverable.

Comments:

- Need to make sure everything is balanced
- Need to make sure everything is matched
- PacifiCorp has seen push back on RE cost recovery
- RE is upfront capital-intensive
- Need to get recovery for costs as they are incurred
- Cash flow is critical
- tax credits are not available for co-ops and munis

i) Cost Caps

Utilities are not required to comply with the RPS to the extent that the sum of the incremental costs of compliance with the RPS, the costs of the unbundled RECs, and the alternative compliance payments made exceed four percent of a utility's annual revenue requirement in a compliance year. RPS compliance costs are not included in the annual revenue requirement to prevent a compounding effect.

Comments:

- One possible approach is a per-meter cost cap (addresses how costs are allocated)
- This is a planning tool, not a disallowance tool
- The cap serves as an off-ramp
- if projected costs exceed the 4% cap, may still get cost recovery for prudent projects

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j) Alternative Compliance Payments

In lieu of procuring renewable energy resources, utilities can pay an Alternative Compliance Payment (ACP), to be placed in a fund that can only be used for acquiring renewable energy resources in the future, or for energy efficiency and conservation programs. Rates for each utility will be established on a per megawatt-hour (MWh) basis by the Utah Public Service Commission (PSC). This mechanism sets an effective cap on the cost of complying with the RPS.

Comments:

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- State agency would calculate ACP value in \$/MWh
- Helps avoid price gouging on RE projects
- Allows investments to be deferred until market corrects itself

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k) Green Power Programs for All Utilities

Every utility in Utah must offer their customers the option of voluntarily purchasing renewable energy. These purchases will not count toward an RPS.

Comments:

- Allows customers to purchase RE above and beyond RPS compliance
- This may be better addressed through rulemaking

l) Misc

By Oct 1, 2008, the state must establish an automatic adjustment clause method that allows timely recovery of costs prudently incurred by an electric company to construct or otherwise acquire facilities that generate electricity from renewable energy sources and for associated electricity transmission.

~~The RPS shall allow utilities to recover in the rates of all but the largest customers the costs of conservation measures.~~

Utilities and Independent Generators must submit annual compliance reports to the PSC or governing state-wide body.

Comments:

- Rocky Mountain will bring a better description of what they hope to see re: regulatory issues.
- May be best placed in regulatory arena
- Need to research how to address merchant plants (e.g. Bonanza, IPP)

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